

Message Text

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PAGE 01 STATE 085935
ORIGIN EB-08

INFO OCT-01 IO-13 ISO-00 /022 R

66011
DRAFTED BY:EB/OT/GCP - D FINNERTY
APPROVED BY:EB/OT/GCP - MBAAS
-----097251 041550Z /53
R 040325Z APR 78
FM SECSTATE WASHDC
TO USMISSION GENEVA

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USMTN DEL

FOLLOWING REPEAT CARACAS 2938 ACTION SECSTATE DATE APR 29, 1978.

QUOTE: C O N F I D E N T I A L

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E.O. 11652: NA
TAGS: ETRD VE
SUBJECT: GOV ANNOUNCES DECISION TO LIMIT IMPORTS

REF: CARACAS 2042

1. ACCORDING TO PRESS REPORTS, THE GOVERNMENT OF VENEZUELA HAS
DECIDED TO CONSTRAIN THE RAPID GROWTH OF IMPORTS INTO VENEZUELA
BY PROHIBITING IMPORTS OF A LIMITED NUMBER OF ITEMS (17)
SIMILAR TO OR THE SAME AS GOODS MANUFACTURED IN VENEZUELA.THUS
THE PUBLIC JUSTIFICATION FOR THE PROHIBITION IS TWOFOLD:THE
MEASURE ALLEVIATES BALANCE OF PAYMENTS PROBLEM WHILE PROTECTING
DOMESTIC MANUFACTURING INTERESTS. THE ACTUAL DECREE IS EXPECTED
TO BE PUBLISHED SHORTLY; UNTIL THEN, NO PRECISE LIST OF THE ITEMS
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AFFECTED IS AVAILABLE. GOVERNMENT SOURCES TOLD THE PRESS THAT
DEMAND FOR IMPORTS WOULD BE REDUCED AN ESTIMATED BS 500 MILLION
(\$116 MILLION) DURING 1978 BY THE DECISION.

2. ACCORDING TO THE NEWSPAPER REPORTS, WHILE THE ECONOMIC CABINET
UNANIMOUSLY SUPPORTED SOME SORT OF CONTROLS ON IMPORTS, THE
CABINET WAS DIVIDED AS TO HOW SEVERE THE MEASURES SHOULD BE. A

MODERATE GROUP (MINISTERS OF FINANCE, DEVELOPMENT AND INTERIOR) REPORTEDLY ARGUED THAT DURING A PRESIDENTIAL ELECTION YEAR THE GOVERNMENT SHOULD NOT TAKE TOUGH DECISIONS WHICH WOULD CHANGE THE RULES OF THE GAME AND UNDERMINE PUBLIC CONFIDENCE IN THE ECONOMY. A MORE RADICAL GROUP (MINISTER LAURIA, VENEZUELAN INVESTMENT FUND PRESIDENT HURTADO) REPORTEDLY SUPPORTED ACTION WHICH WOULD PROHIBIT IMPORTS OF A WIDE RANGE OF GOODS NOT ESSENTIAL TO THE DEVELOPMENT OR WELL BEING OF THE COUNTRY, OR WHICH COULD BE OBTAINED FROM DOMESTIC PRODUCERS. PRESIDENT PEREZ IS SAID TO HAVE ACCEPTED THE MODERATE POSITION DURING A CABINET SESSION MARCH 22.

3. COMMENT: ACCORDING TO LATEST AVAILABLE STATISTICS (BEING SUBMITTED BY SEPARATE AIRGRAM), DURING 1977 VENEZUELA'S EXPORTS WERE VALUED AT ALMOST \$10 BILLION (MOSTLY PETROLEUM SECTOR EXPORTS) AND VENEZUELAN IMPORTED \$8.8 BILLION WORTH OF GOODS. WE ESTIMATE NOW THAT IMPORTS WILL INCREASE BY OVER \$1.7 BILLION TO ABOUT \$10.5 BILLION IN 1978 WHILE EXPORT REVENUE (IN THE ABSENCE OF A SIGNIFICANT PRICE INCREASE FOR OIL) WILL REMAIN ROUGHLY THE SAME AS IN 1977. IN THE CONTEXT OF FIGURES OF THIS MAGNITUDE, ACTIONS WHICH RESULT IN A BALANCE OF PAYMENTS SAVINGS OF \$116 MILLION CAN ONLY BE CONSIDERED SYMBOLIC. POLITICALLY, HOWEVER, THIS DECISION MAY BE MORE IMPORTANT. DURING AN ELECTION YEAR THE RULING PARTY DOES NOT WANT TO BE PERCEIVED AS IGNORING A PRESSING NATIONAL PROBLEM. BECAUSE THE IMPACT OF THE MEASURE WILL APPARENTLY BE LIMITED TO A FEW ITEMS THE GOV WILL SEEM TO BE DOING SOMETHING LIMITED OFFICIAL USE

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ABOUT THE IMPORT PROBLEM WITHOUT ALIENATING A SIGNIFICANT NUMBERS OF VOTERS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, PRESS COMMENTS, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE085935
Document Source: CORE
Document Unique ID: 00
Drafter: D FINNERTY
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780145-0431
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780494/aaaadbxa.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3e1b7db6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CARACAS 2042
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3079113
Secure: OPEN
Status: NATIVE
Subject: GOV ANNOUNCES DECISION TO LIMIT IMPORTS
TAGS: ETRD, SOPN, VE
To: GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3e1b7db6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014